

SPEECH

OF

HON. W. P. FESSENDEN, OF MAINE,

ON

THE ISSUE OF UNITED STATES NOTES.

DELIVERED IN THE SENATE OF THE UNITED STATES, FEBRUARY 12, 1892.

The Senate having under consideration the bill for the issue of United States notes, Mr. FESSENDEN addressed the Senate as follows:

MR. PRESIDENT. I propose, before the question is taken upon any one of the amendments, to make some remarks upon this bill. They may be very dull and dry, for it is rather a dry subject; but still it becomes my duty, as the organ of the Committee on Finance, to explain the provisions of the bill.

Before proceeding to do that, however, I wish to say a few words upon another, though perhaps a collateral, subject, and that is, the position of Congress in relation to all these bills regarding the currency. I should not do so but for the observations that fell from my friend, and colleague on the committee, from Ohio (Mr. SHERMAN) the other day, which struck me with some force as coming from him, and a few remarks of a similar nature from the Senator from Massachusetts, (Mr. WILSON,) the chairman of the Committee on Military Affairs, when a bill relating to the Army was under discussion. The particular remarks made by the honorable Senator from Ohio, to which I allude, are found in his speech upon that subject. He said:

"I do not blame any one; but I know that while the Army has been delaying, we too have been delaying. While we have sat here, our credit has been impaired. We have as yet taken no steps to maintain the credit of the Government. It is idle to say to me that all these measures require time and deliberation. We have not given them that time and that deliberation; but we have wasted it on other pursuits; and therefore, while we complain of others, let us at least take part of the fault ourselves."

These remarks were consequent upon some observations made by the honorable Senator with regard to the Army. Upon that subject I do not propose to take issue with him; but I feel bound, connected as I am with these financial measures, to say something with regard to the position of Congress upon them.

I do not agree with the Senator that Congress is in any fault upon this subject. If there is fault anywhere, it arose from what the Senator himself took an active part in, and I did not; and that was in procuring the adjournment of Congress substantially over all the holidays in the month of December. With that exception, I have not been able to see that the time of Congress has been wasted, or, rather, that we are subject to any reproach for a want of proper attention to the position of the country. Why, sir, we all know—it has been stated here before—that so far as the Senate is concerned, we

could not get at these bills until they came from the House of Representatives; and that is a sufficient answer on our part. So far as the House is concerned, I see no cause for complaint. My honorable friend must recollect—he has given attention enough to the subject to be aware—that bills providing for the raising of revenue are bills which require very great study and deliberation; and I feel bound to say for the Committee of Ways and Means of the House of Representatives, that I believe no committee belonging to any deliberative body in the world ever devoted time more assiduously and more attentively to their particular duties than has that committee.

The honorable Secretary of the Treasury, at the beginning of this session, recommended two measures. He recommended taxation and a bank. Both these subjects require at this stage of the country, and under existing circumstances, peculiar and long consideration. The opinion of the country has tended towards what is called indirect taxation, taxation upon different American and other products, and different kinds of property. Sir, that requires great time. I have examined it sufficiently to be aware that it is not the labor of a day or a week or a month. It is substantially new in this country, and it requires much time, much study, and much information, to acquire all the knowledge of the various products which would be likely to produce a revenue, and upon which a tax might with propriety be laid. So, too, with reference to the scheme suggested by the honorable Secretary of the Treasury with regard to a bank. And yet, notwithstanding all that, a bill of that description has been reported.

With regard to the particular bill now before the Senate, we all know that it was resorted to as a temporary measure, not in the beginning, but in consequence of the necessities of the Treasury, arising from a greater expenditure than the Secretary could have imagined, and arising from the necessary delay with reference to other measures. Can it be said that a measure like the one now pending before the Senate and the country is a measure of a day or an hour? Why, sir, what does it propose? It proposes something utterly unknown in this Government from its foundation; a resort to a measure of doubtful constitutionality, to say the least of it, which has always been denounced as ruinous to the credit of any government which has recourse to it; a measure, too, about which opinions in the community are divided as perhaps they never have been divided upon any other subject; a measure which, when it has been tried by other countries, as it often has been, has always proved a disastrous failure. Sir, it could hardly be expected that a measure of this description, brought into the House of Representatives and the Senate for the first time in the history of the country, involving questions of such infinite importance, not only with reference to to-day, but with reference to the future, to all time, because it is setting a precedent which may be followed, should be taken up and passed at once as we pass appropriation bills. It needed long, careful, and vigorous discussion. It has had it in the other branch of Congress. I have read that discussion from beginning to end. It has been able and clear upon both sides of the question. The subject deserved that discussion; and the House of Representatives would have been faulty if it had suffered a measure of this kind to be passed without its having undergone an examination which should not only enlighten the House, but inform the country upon all the aspects of it. Shall Congress be considered in fault because they have not before acted, or did not act hastily, upon a measure of that description? I think not, sir. The time has been well spent; and although I regret as much as any man can regret that we have not been able to act more promptly, I see no fault to be imputed anywhere; not in the other House of Congress, and certainly not in this; for it has reached this body as soon as it could possibly reach it when you consider

the nature of the questions that were to be discussed by the committee to whom it was referred.

I have already said that we have never attempted to resort to such a measure before. We have had a war with England since our Government was formed, and, if I am rightly informed, at that day the stocks of the Government went down to sixty per cent., and pay was taken for them in such currency as could be received, itself depreciated; and yet it did not occur as a serious question to the men of that day to put forth, under the Constitution, irredeemable paper, made a legal tender for the payment of debts. To be sure, the country then was poor; it is now rich, comparatively. The country had not then the resources that we have; and perhaps it would have had the more excuse for adopting such a course. I do not urge this as an argument against it at the present time, but only as showing the nature of the measure itself, to which it is now proposed to have recourse in order to place the Government in a better position; especially, sir, when you observe that all who have spoken on this question, I believe without an exception—there may have been one or two—agree in this: that only with extreme reluctance, only with fear and trembling as to the consequences, can we have recourse to a measure like this of making our paper a legal tender in the payment of debts.

I do not propose to discuss that question now; but I am stating these things merely that Congress may be set right before the country, and that it may not be said, without its being contradicted somewhere, either in the papers of the country or somewhere else, that time has been wasted here when we have been considering measures of such vast importance, and involving such very great consequences as these measures necessarily do.

It becomes my duty, sir, to explain the two bills now before the Senate; first, the House bill, as it came to us, and then the Senate bill as it has been reported by the committee. It will be noticed that the House bill provides for the issue of \$150,000,000 of Treasury notes, fixing no specific time for their payment, and therefore making them, perhaps, payable on demand according to legal construction, and making them a legal tender for all debts, public and private, convertible into twenty years stock at six per cent. This is substantially the first section.

The second section provides for the issue of \$500,000,000 of stock at six per cent., to be sold for what is called "lawful money" or notes of the United States. This is the House bill. The term "lawful money" is used in a very peculiar relation. It certainly does not mean notes, because the bill goes on to say "for lawful money," of the United States or for any of the Treasury notes that have been, or may hereafter be issued under any former act of Congress, or for United States notes that may be issued under the provisions of this act." The remaining sections of the bill are merely put in to guard it against abuses.

The Committee on Finance have reported several very important amendments. The first amendment, which the Senate will notice is made in the first section, is that the interest on the public debt shall be paid in coin. The Senate will observe that without this, under the provisions of the House bill, a creditor of the Government holding Government paper, notes or bonds, would be compelled to take his interest in notes or bonds, as the case might be, when the time for the payment of interest came round. He would have no choice. The tender of a note for the interest that might be due on his bonds, however large or small, would be equivalent in its effect to a tender of coin. According to our amendment, the Government will be obliged to provide itself with coin for the payment of interest. The object of this provision is not only to do justice in this regard, but also to raise and support the credit of the Government obligations; and it will be perceived how very important it is to that end.

The Secretary, by the provision which I have referred to, is obliged to provide himself with coin for that purpose, and he is obliged to do it at whatever sacrifice may be necessary in order to accomplish that purpose. This certainly will have one effect; it proves the good faith of the Government; that it means to do all it can; that it means to spare no effort at whatever cost to give to those who take the Government paper, what they wish to receive, something besides Government paper, and thus running round in a circle of paper, for the interest upon their debts.

But, sir, it was not enough, perhaps, to show the good faith of the Government in this particular. The committee have recommended that we go further, and that we provide a specific fund, in order to accomplish that purpose, and set it aside for that object. It was proposed in the committee—and it struck me favorably at first—to set aside specifically the public duties, by providing that the duties on imports should be paid in coin; but, on consideration, it was deemed by the committee that that would be hardly fair. The result would be to make a distinction between different classes of the community, and to impose a very heavy burden upon those who are engaged in trade, and who would be called upon to pay duties. If we provide a paper currency, the natural and inevitable effect of it is, that coin increases in price. The consequence would be, unquestionably, that those obliged to pay duties on imports might be compelled to make a severe sacrifice in order to raise coin for that purpose; and, in the next place, the general effect would be to, in substance, increase the duties provided by our tariff. Necessarily, if coin appreciates, if it becomes worth more than the ordinary currency, and if duties are to be paid in coin, the effect of such a provision would be to increase duties already very high, and in some cases almost prohibitory. The committee, therefore, thought that, under the circumstances, that would not be wise; although it will be perceived that, not having done so, the converse of the proposition may be true: that the effect, if we inflate the currency by paper, and allow the duties to be paid in paper, is necessarily to diminish the duties on imports, and thus, perhaps, to lead to a greater importation.

Having rejected this, it became necessary to make some other provision; and accordingly provision was made, as will be found in the fifth section, by setting aside the amount of duties received, the amount received from the sales of the public lands, and the amount that may be received from the confiscation of the property of rebels, to form a fund. The Senate will consider whether all these provisions are necessary and wise, to raise a fund which shall be devoted, in the first place, to pay the interest upon the coin and on the notes; and, in the second place, to raise a sinking fund, which in the end might be able to pay the whole debt, and would, in a certain course of time.

This, undoubtedly, will be a very sufficient security; but, sir, the committee have gone further. In order that the Secretary may be sure, and that the public creditor may feel safe with reference to it, they give to the Secretary the power to sell the bonds of the Government at any time that it may be necessary, at the market price, in order to raise coin. That can always be done. The sacrifice may be great or it may not; it depends upon circumstances; but at any rate it will bring coin. These two provisions taken together have the effect necessarily to create an entire confidence in the minds of the purchasers of the public obligations, that the interest will be surely paid at the time it is due, and paid in coin; and having done that, the result is obvious to the committee, that our securities must necessarily be placed upon a more stable foundation, and be of very much greater value in the market, because what the holder of public securities wants is to be sure that his interest will be paid, especially if it is on long time.

But, sir, the power to sell the obligations of the Government at the market

price is not confined to the interest. The Senate will observe that it is made general; that instead of being confined and obliged to sell the obligations of the Government at par, the Secretary of the Treasury is authorized to sell them at any time at the market price; and instead of being confined to sell them for coin, merely for the purpose of raising money to pay the interest on the public debt, he is permitted to sell any amount at any time that it may be necessary, for what he can get. This is a bold, strong, measure, and it may strike Senators with some surprise, or, at any rate, it may lead them to deliberate upon the subject. I will state the reasons which operated upon the minds of the committee in offering this amendment.

In my judgment—and I speak for myself alone in reference to this matter—we begun wrong. We should have resorted to this measure of authorizing the sale of the obligations of the Government at the market price when we first commenced to borrow at the beginning of this war. This belief is founded on very obvious principles. Money in the market is always worth what it will sell for. It is an article of merchandise like anything else, and the Government has no reason to suppose, unless it can offer much better security, that it should get money at a better rate than anybody else. That is one reason. Another reason is that so far as the Government is concerned, unquestionably the price of money depends on various considerations. It depends, in the first place, upon whether the country is in a state of peace; what is its condition with regard to wealth; what is its indebtedness; what are its expenditures; and what is the character of the debt.

At the time I speak of, when we first began to borrow at the commencement of war, the Government credit was high, higher than it has ever been since; the hopes of our people were high; the enthusiasm of the people was strong, and the means of the country were ample. Then, sir, in my judgment, was the time—although I did not think so then; I confess that I have reversed my opinions upon that subject—when the Government should have gone into the market with its credit, with the enthusiasm and the belief of the people in our cause and our success new and ripe and strong. We did not do so; but resorted to another course. We resorted to the banks; and in so doing we deprived ourselves of what at this time would have been a comfortable resource in case we had been obliged to call for their aid again. We crippled them through our action, and now we are driven to a point where they cannot aid us, so far as lending more is concerned, because the banks of the principal cities have loaned us about all the capital they have.

But the committee thought, in giving this enlarged power to the Secretary at this time, that it was bound—if this legal tender was to be resorted to, especially if the bill of the House as it stood should be adopted by the Senate and should become a law—that an assurance should be given to the country that it was not to be resorted to as a policy; that it was what it professes to be, but a temporary measure. The opinions of the Secretary of the Treasury are perfectly well known. He has declared that, in his judgment it is, and ought to be, but a temporary measure, not to be resorted to as a policy, but simply on this single occasion, because the country is driven to the necessity of resorting to it. I have not heard anybody express a contrary opinion, or, at least, any man who has spoken on the subject in Congress. The chairman of the Committee of Ways and Means, in advocating the measure, declared that it was not contemplated, and he did not believe it would be necessary to issue more than the \$150,000,000 of Treasury notes, made a legal tender, provided by this bill. All the gentlemen who have spoken on the subject, and all pretty much who have written on the subject, except some wild speculators in currency, have declared that as a policy, it would be ruinous to any people; and it has

been defended, as I have stated, simply and solely upon the ground that it is to be a single measure, standing by itself, and not to be repeated.

Well, sir, what assurance of that can we give to the country? How can we satisfy the people of this and other countries (because what we do here is watched with very great anxiety and interest) that it is not to be a policy? I perceive no other way than by saying in advance, and upon the face of the bill by which we confer the power, that in future, by the authority we now give the Secretary, he may purchase in the market, at any price at which he can get them, the funds necessary to prosecute this war; that we have abandoned the idea of putting our paper in the market at par when it is not entitled to command it. In this point of view, this matter addressed itself to the approbation of the committee.

Section four of the bill, as reported by the committee, contains a provision to which I will call the attention of the Senate. It provides for certain deposit certificates. I will explain that. It will undoubtedly happen in the course of things, that in the hands of banks and, perhaps, in the hands of individuals, these Treasury notes, being a legal tender, will accumulate. They will not be willing to convert them at once into bonds; they may need them for other purposes. It was therefore desirable that they should have power to deposit them somewhere where they may receive interest for a short period of time. This provision was very much desired by the banks in all the cities. It was thought that it would afford them facilities, that it would give greater currency to the notes, that it would enable them to deal with them better; and therefore we have offered a provision, that for a period of not less than thirty days any person or institution may deposit these Treasury notes in sums of not less than \$500 at the sub-Treasury, and receive an interest of five per cent. The argument against this proposition, undoubtedly, is, that it may interfere with the conversion of the notes into bonds; but it will be remarked that the interest is one per cent. less than on the bonds. It will be further remarked that the provision is guarded against any very serious effect of this kind, because the interest is at all times subject to the control of the Secretary of the Treasury, and at no time can the aggregate of these deposits exceed \$25,000,000. It is also under the control of the party depositing, for he can draw his deposit at any time; but can only obtain interest when he deposits for that number of days. I shall propose an amendment, however, to this clause which will require the depositor to give notice before the amount is withdrawn.

Mr. DOOLITTLE. Do I understand the honorable Senator to say that if he deposited these notes interest would be suffered to run on, and that could be convertible into stock?

Mr. FESSENDEN. He will have his interest of course, most undoubtedly. This was merely a measure of relief that was sought by the banks; and the committee, on the whole, saw no objection to it; neither did the Secretary of the Treasury; and therefore the amendment is submitted. I should have preferred that these twenty years bonds should be redeemable at the pleasure of the Government after five years, and payable in twenty years; or else, if that could not be done, the proviso authorizing the holders of these bonds to purchase with them seven per cent. stock redeemable in five years should be retained. I think that something more is necessary; and I believe that my honorable friend from Rhode Island, [Mr. SIMMONS,] who is a member of the Committee on Finance, intends to move something of that description as an amendment to the bill. I believe it will be found beneficial. I shall not stop, however, to argue that at the present time.

I have stated substantially what are the main provisions of the amendments which the committee have reported, and the Senate will perceive that they are of a very important character. They go to change, in a very considerable de-

gree, the whole policy of this Government up to the present time with regard to the borrowing of money, and put us upon the market. I have stated the reasons which induced the committee to come to that conclusion. The Senate will judge for itself whether those reasons are sufficient.

Mr. President, I wish now to say something upon the main question of the bill, which I have avoided touching, except incidentally; and that is the clause making these notes a legal tender; for, after all, that is the great question now submitted to the Senate. The Senate will observe that the committee make no recommendation on that subject, except such as may be inferred from the fact that they report it back. They report the bill back retaining the clause, and so far an inference might be drawn that the committee were in favor of it. Under the circumstances of the case in the committee, (of which, perhaps, I may speak with propriety, as the committee, as a whole, had no opinion upon the subject, their opinions being so divided,) I deem myself at liberty, as I should, perhaps, be under any circumstances, if need be, and if my opinions lead me that way, to say what I have to say in opposition to that clause. I do not propose to do this except incidentally. I propose rather to state the argument as I understand it on both sides in relation to the matter as briefly as I can, without attempting to go into the argument of the subject myself.

The ground upon which this clause making these notes a legal tender is put I have already stated. It is put upon the ground of absolute, overwhelming necessity; that the Government has now arrived at that point when it must have funds, and those funds are not to be obtained from ordinary sources, or from any of the expedients to which we have heretofore had recourse, and therefore this new, anomalous, and remarkable provision must be resorted to in order to enable the Government to pay off the debt that it now owes; and afford circulation which will be available for other purposes. The question then is, does the necessity exist? That is a question which I propose in some degree to discuss, because I admit fully and decidedly that the Government, or the country, rather, is to be sustained in its present undertaking, and that we are bound to obtain the means to effect that object. If the necessity exists, I have no hesitation upon the subject, and shall have none. If there is nothing left for us to do but that, and that will effect the object, I am perfectly willing to do that. The question, however, is whether it is necessary, whether we have arrived at that stage, and whether something can or cannot be done in order to accomplish the object. Sir, I do not hesitate to say here, that I would advocate the use of the strong arm of the Government to any extent in order to accomplish the purpose in which we are engaged. I would take the money of any citizen against his will to sustain the Government, if nothing else was left, and bid him wait until the Government could pay him. It is a contribution which every man is bound to make under certain circumstances. We can take all the property of any citizen. That is what is called a forced contribution. Thank God, we have not arrived at that; but I am not certain that it would not be a more manly course to meet the matter straight in the face, and if we are to compel a man to part with his property, to do it without affording him what may appear to be security, and yet is not security. I do not say that it is so; and yet I am not certain that that would not be the more manly and praiseworthy course to pursue.

Then, sir, as to this question of necessity, I wish to ask gentlemen to consider upon what public credit is founded. According to my reading and my view of the case, it has but one foundation; and that is, the confidence of the people in the ability and integrity of the Government, and its power and its will to pay. Public credit has no other foundation that I am aware of. If that is so, then the question arises, what is the ability and what is the integrity of this Government, and what is its will to pay? Are they such as of themselves,

under proper legislation, will enable the Government to raise means in the ordinary way!

As to the question of ability, what was our condition when this war broke out? Senators have only to look back and consider. Certainly no Government was in a better condition than we were at that time. Our debt was a trifle. This great country owed but about one hundred millions of dollars—nothing; not even worth its consideration for a day. Its private debt abroad, which had been large, had been for years diminishing, was very much reduced, and the day was very near at hand when, freed from debt, public and private, we should have been in possession of all our great public works, owned by ourselves all over our country, ready to have that healthful and beneficial operation which necessarily belongs to them. That was our condition, so far as credit was concerned.

What sort of a country had we? We all know. One of the best, one of the richest, one of the most favored, in all particulars, on the globe; having a greater variety of climate, a greater variety of soil, a greater variety of production, every facility for all the arts of life, and all that goes to create wealth, for agriculture, for manufactures, for commerce; and, above and beyond all, over the greater portion of it, among twenty millions of its people, we had a population inured to labor, and, better than that, loving labor, and considering it an honor and a glory; and, better still, intelligent, educated, skillful, thinking labor, which is always the most productive. With a country like that, I think I do not go far in saying that at the period of the commencement of the war, there was no people on the face of the earth whose ability was so great to meet its engagements as our own.

This has become somewhat changed, sir. But suppose for a single instant that, to a certain degree, this rebellion is to be successful; suppose that the cotton States, so called, are to be cut off from us; what have we left? We have lost the production of one or two great staples; we have lost a portion of our population; but everything else, substantially, we retain. We retain all that I spoke of as going to make a great, a prosperous, and a glorious people; and I am not certain that what we might lose in extent of territory and in the production of certain staples, even should this rebellion be successful, we should not gain by greater homogeneousness and singleness of purpose, and by the power which would arise from that singleness of purpose and that homogeneousness, and the loss of what after all must be conceded to be an element of weakness to any nation on the face of the earth, which has proved to be so to us, though in some particulars an element of wealth. Therefore I say that even under any circumstances we must be entitled to credit for our ability to pay. Why, sir, we should then have the capital which those who framed the Constitution considered the best capital that a nation could have. We had nothing else then, and you see what it has produced. What was that capital? Labor; the power and the will to work; and the disposition, the desire, the anxiety, the policy, to make that labor more productive by educating it; under which policy of educating labor and thus increasing the power of production, the country has grown up with such unexampled, unparalleled rapidity. My own opinion then is that on this question of ability, even if the worst come which can come, after the contest in which we are now engaged has ended, we still remain a great nation, abundantly able to meet any demands that we shall be likely to incur; and that no person, placing himself in the position of a money-lender, could hesitate to say that we were entitled to all the credit of a great, productive, strong, healthful people.

Have we the will to pay, sir? I speak of the ability and integrity of the Government. Has the world confidence in it and in us? Ought it to have? Sir, the faith of this nation has never been broken up to this period. We have

always kept our faith as a borrower of money. We have stood before the world as a people to be trusted. Up to the present time there has been no stain upon us. We have paid our debts. Nobody could turn around, at any time in our history, from the creation of this Government, and say that we have resorted to miserable shifts and contrivances to avoid our obligations. We have faithfully kept them all. Are we not then entitled to credit? Having this ability, having always kept our faith, having shown that we not only have the power, but the will to pay, up to the present period, have we not laid strong the foundation of public credit, if I am right in supposing what that foundation is?

Sir, we are contracting a large debt. At the end of this fiscal year, I suppose it will be, in round numbers, \$750,000,000; and at the end of the succeeding year, if the war should continue, \$1,500,000,000; but, in my judgment it will not go beyond the first sum. I believe that by the end of this year the war will be ended. All events are tending that way. Our recent successes go to indicate it. We have but just begun to show the force we have, and the results are obvious. But suppose it is not ended in that time, suppose our debt goes up to double that amount, and the war continues for another year, when it must end unquestionably, we shall have a heavy capital of debt, but all that is necessary is to secure the payment of the interest. A public creditor looks not to the principal. He looks to his investment. He wants to know what his interest is to be. The example of England proves this abundantly. Nobody supposes that England will ever pay her debt; nobody has supposed it for years; and yet her stocks are always sound, and are sought for, even at a very low rate of interest, on account of their security. They sell in the market at about par, varying very slightly according to circumstances; and yet nobody expects the principal to be paid. All therefore we have to calculate upon, all that we have to provide for, is to satisfy the public creditor, either at home or abroad, that when we put out our obligations for a series of years, he may be certain that the interest will be paid, and the result is equally sure.

Sir, the policy of this country has been to keep out of debt. Many men have thought, and, perhaps, not unwisely, that it would be well, or better, if we had a public debt, as it would interest more people in the Government; but we have gone upon a different system, and wisely in my judgment; because we have framed a Government to which all who live under it ought to be attached, and on principles that ought to make every one its friend. It confers such benefits that it has a right to presume that every one is its friend. We believe that the true doctrine of a republic is strict economy; that the expenditure of large sums of money is injurious, not so much because the money is spent, but because the using it, and more especially the using it carelessly, tends to sap the foundation of public morals by, in the first place, sapping the foundation of private morals.

Having suggested what occurs to me in answer to the argument that our ability may be questioned because we are creating a large public debt, I wish to say a word upon another point. Our credit has been somewhat injured, undoubtedly, by the conduct of the war; and yet, in my judgment, very unreasonably. I have heard much said here and elsewhere, and I have read much in the newspapers upon the conduct of the war. Sir, the conduct of the war has not been altogether satisfactory to me. I could have wished it had been otherwise. I could have wished for successes in the first instance; and I felt, perhaps, as keenly as any one, the defeats that we at first suffered; and perhaps I might have been as bitter in the remarks I made about them; but, sir, with time and reflection, I have come to a better state of feeling on that subject, and I declare here to-day, as my sincere conviction, that we have not only done all, as a whole, but more than could have been reasonably expected in the same space of time.

Why, sir, look at our condition when this war commenced; with no army, with no navy, with no means, except our credit, of raising money to meet it; taken by surprise; unused to war; after a long term of peace; unaccustomed entirely to arms; and disarmed, in point of fact, by the robberies of those who have undertaken to separate from us. Were victories, under such circumstances, to come in a day? Were we at once in an hour, a week, a month, or a few months, to create the military experience which we had lost? Were we to create a navy, create an army, and win victories under any and all circumstances? The expectation was idle. Anxious as people might be that it should be so, the expectation was an unreasonable one; we should rather have anticipated defeat.

I heard a remark made by one of our own generals, some years ago, that a republic must always be defeated at first, because it would always have much to learn. That was our condition. Going on with rashness; laboring under the impression, which it must be conceded we had cultivated, that we were invincible, and could do anything; impatient from the very nature of our people; unwilling to await the unfolding of time and the acquirement of experience, what could have been expected but that we should make many mistakes? What could have been expected but that we should carry on the war at a great loss? Bound to act instantly and in a day, could we at once have a perfect commissariat? Could we at once provide ourselves at reasonable prices and reasonable rates, and save ourselves against all who were disposed to plunder the Government? Why, sir, all these things were to be learned by experience. It was necessary that time should be given for us to acquire that experience. I sincerely believe that with regard to all governments economy is never learned but from the consequences of waste, and victory never follows but as the consequence of defeat. In defeat we learn to be victorious, and in suffering for want of economy we learn how to practice it; and that, I believe, we are feeling and seeing the good effects of now. That principle is being developed to-day. We have suffered some defeats. We permitted ourselves to be, in a measure, cast down. Time has come round. We have now an Army perfectly organized; we have a Navy which has proved its power wherever it goes, winning glory for us wherever it appears; and everything looks as favorable to our cause as the heart of man could desire.

I see no reason for loss of credit, then, arising from the conduct of this war up to this period. In regard to that, we have been like all other people; not worse than other people, certainly, but better. There never was a war, from the beginning of time, into which a nation was plunged, that did not begin with disadvantages, and suffer in consequence of those disadvantages. Could we expect to be an exception, after the long period of peace in which this country had indulged? I think not, sir. We have not, in my judgment, lost the ground of which I spoke as entitling us to credit, and that is our ability; and as to our integrity, it stands untouched to-day, and perhaps on the result of to-day may depend the question whether we shall lose that reputation. The question, after all returns: is this measure absolutely indispensable to procure means? If so, as I said before, necessity knows no law.

What are the objections to it? I will state them as briefly as I can. The first is a negative objection. A measure of this kind certainly cannot increase confidence in the ability or the integrity of the country. It can make us no better than we are to-day, so far as this foundation of all public credit is concerned.

Next, in my judgment, it is a confession of bankruptcy. We begin and go out to the country with the declaration that we are unable to pay or borrow, at the present time, and such a confession is not calculated to improve our credit.

Again: say what you will, nobody can deny that it is bad faith. If it be necessary for the salvation of the Government, all considerations of this kind must yield; but, to make the best of it, it is bad faith, and encourages bad morality both in public and in private. Going to the extent that it does, to say that notes thus issued shall be receivable in payment of all private obligations, however contracted, is in its very essence a wrong, for it compels one man to take from his neighbor, in payment of a debt, that which he would not otherwise receive or be obliged to receive, and what is probably not full payment.

Again: it encourages bad morals, because if the currency falls, (as it is supposed it must; else why defend it by a legal enactment,) what is the result? It is, that every man who desires to pay off his debts at a discount, no matter what the circumstances are, is able to avail himself of it against the will of his neighbor, who honestly contracted to receive something better. My judgment is, that anybody who would avail himself of a position and a power of that kind, thus conferred on him by law, has forgotten the principle of right and wrong between man and man; for legal enactments cannot make that right between man and man which otherwise would be wrong. I say, therefore, that another objection which has been stated, and of which the force must be admitted, is that it is bad faith.

Again, sir, necessarily as a result, in my judgment, it must inflict a stain upon the national honor. We owe debts abroad yet. Money has been loaned to this country, and to the people of this country, in good faith. Stocks of our private corporations, stocks of our States and of our cities, are held and owned abroad. We declare that for the interest on all this debt, and the principal if due, these notes, made a legal tender by act of Congress, at whatever discount they may stand, shall be receivable. Payment must be enforced, if at all, in the courts of this country, and the courts of this country are bound to recognize the law that we pass. That result, then, is inevitable; and I confess, sir, that it touches my pride when I reflect that, of all people in the world, the people of England can turn around, at the present day and at the present hour, and accuse us of bad faith. I would make any sacrifice, do anything, to pay our foreign debt, even if our people at home were obliged to suffer, so that it should not be said that, by legislation of ours, that which was due abroad had been lost. I would stop those mouths, if it were in my power, by any means and at any sacrifice.

Again, sir, it necessarily changes the values of all property. It is very well known that all over the world gold and silver are recognized as money, as currency; they are the measure of value. We change it here. What is the result? Inflation, subsequent depression, all the evils which follow from an inflated currency. They cannot be avoided; they are inevitable; the consequence is admitted. Although the notes, to be sure, pass precisely at par, gold appreciates, property appreciates—all kinds of property. I saw in a newspaper, the other day, a statement, and I believe it has not been contradicted, that the confederates are now just in this position; their notes, which are made a legal tender there, are piled up in their banks mountain high—as high, at any rate, as the banks—and the people are living on shiplasters, and real estate has appreciated fifty per cent., and, indeed, can hardly be purchased at all. That is their condition. They are at the end of their course; we are just at the beginning of ours.

Again, sir, a stronger objection than all that I have to this proposition—I am stating the objections which everybody must entertain, because I suppose these facts are palpable—is that the loss is to fall most heavily upon the poor. I believe it never was disputed, it cannot be in the light of experience, that those

who are injured most by a depreciated currency are the laboring men—the poor. The large capitalist can bear it; but there are small capitalists in this country whom it will vastly injure. When you speak of a capitalist, in the common acceptance of the term, you mean a rich man; but every man who is free of debt, and earning something, and earning a surplus, is a capitalist; and the great number of capitalists together make up a great whole, and these are the men who suffer by the disorder of affairs—the poor laborer, in the first place, more than all; the small capitalist, if I may so call him, next; the rich capitalist the last of all. Such is the necessary result and consequence always of a system of this kind.

But the answer to all these objections—I have stated one side of the proposition—is necessity; and again I say if the necessity exists so stringently, so be it. But that, too, is to be examined. Does the necessity exist to the extent stated? Gentlemen say in argument in the other House, and it is argued elsewhere, that the notes will not go without the legal tender. I have a reply to this. In the first place, so far as the Government is concerned, they must go; they must be taken, if issued without the legal tender clause, by the public creditors, and to the whole amount of \$150,000,000. Why must they be so taken? Because of the moral force of the situation. They need them; they must take the money and suffer the loss, if there is a loss. But it may be answered, “you are injuring the public creditor; why should you injure him; if he is laboring under this moral force, why oblige him by that force to take these notes; why not relieve him?” I reply, “to prevent doing him wrong are you at liberty to wrong all the rest of the world? And if he is laboring under this difficulty, and you too, are you therefore justified in making all the difficulties that I have enumerated, if they would follow?” Besides, sir, you can remunerate him, but you cannot remunerate the community. If there is a loss to the public creditor you have the power to make it up to him, but you have not the power, and never would have the power, to relieve the community. If the objections which I have stated are well founded, you never would have the power to relieve the community by legislation from all the evils that must follow.

What is now offered? Let us look at it for a moment. Will your legal tender clause make the notes any better? Do you imagine that because when you have the difficulties I speak of upon you, you force people to take these notes, they are to be worth the money, and that no injury is to follow? Why, sir, what is the consequence? Does not property rise? Take your soldier over here; you say you are injuring him if you compel him to take a note without its being a legal tender; but will not the sutler put as much more on his goods? And if the soldier sends the notes to his wife to be passed at a country store for necessaries for his family, what will be the result? The goods that are sold are purchased in New York; the price is put on in New York; a profit is added in the country; and thus the soldier loses just as much. You are not saving anything for anybody.

But, sir, what do we offer without this legal tender clause? We are offering notes, notes of a Government such as I have spoken of, with the interest secured beyond a question if the amendments proposed by the Committee on Finance of the Senate are adopted, based on the national faith, and with the power to deposit and receive interest at five per cent. in any sub-Treasury, and the power of the Government to sell its stock at any price, sacrifice it at any price, to meet whatever it may be necessary to meet. Will notes of this kind stand better when going out upon that credit, if you put upon them the confession upon their face that they are discarded by you, and that you know they ought not to be received unless you compel their reception by legal enactment? Sir,

in my apprehension, by that you would do worse; you would discredit them yourselves in the beginning.

Mr. President, I beg pardon of the Senate most humbly for having taken up so much of their time upon this matter. I have consumed more time than I intended; and I will endeavor to bring my remarks to a close as fast as possible.

What is the argument against this view of the case, and the only argument, as I am very much inclined to believe. It is simply that the banks will not take the notes unless you make them a legal tender, and therefore they will be discredited. It is then reduced to a contest between the Government and the banks, or between the Government and certain banks; and the question is whether the banks have the will and the power to control us; whether the notes can be discredited. Now, sir, I have examined this matter to see and understand what the difficulty is; and it has been stated by gentlemen to me, and stated to our committee, precisely where the trouble lies. They say it lies in what is called the clearing house system of New York, which is the great center of business. They have a system there by which balances are settled at a common place, and according to a certain form; the bank that is not ready to pay its balances at a particular day must borrow a certificate on a pledge of its assets of what is called the loan committee, upon which it must pay seven per cent interest while it is held, and that it can use in settling its balances. There are certain banks in New York, it is said, that will not agree to receive these notes. Most of them, perhaps, would; but there are certain banks that would not; and therefore the result would be this: if, for instance, one bank took \$500,000 of these notes, and had them on hand, and they were not received at the clearing house, as they would not be, because some banks refused to receive them, the result must be that they hold them without interest, while they are obliged to pay seven per cent. to borrow the money to meet the same balances elsewhere. That is a strange position of things, and undoubtedly, while it remains, such might be the operation.

But let us look at it a little further. I have stated what the character of this paper will be without the legal tender clause. The objection is founded on the idea that the notes will not be at par, and therefore that, although they will not be worth any more with the legal tender clause, the banks will be compelled to take them. My belief is, that, under the provisions of this bill as we propose to amend it, the notes will be very nearly at par. I have the opinions of men on whom I rely that they cannot, with the interest thus secured, fall at any rate more than five per cent. below par, even at first. Suppose they shall be a little below par, how can they be taken? We all know what the business of banks is. We heard nothing about it before the committee, and yet we understand it. The banks can receive any deposits they please (and that is their principal business,) payable in the same kind of paper—special deposits; not exactly special deposits in the sense in which we use the term in New England, but a deposit which is payable when drawn out in precisely the same sort of funds. That is the principal business of the banks of New York; and what would be the very great harm of the banks receiving this very paper as a special deposit, to be paid in the same kind of funds to their depositors, especially when they can deposit it themselves in the sub-Treasuries, and receive five per cent. interest on it?

Suppose the banks still refuse, although they can receive the notes as a special deposit, what would be the consequence? The holders have the privilege of depositing this paper to a certain amount in the sub-Treasury, I do not believe that the banks would be willing to see their depositors leave them and deposit the notes in the sub-Treasury and receive five per cent. Their business is to make money. It would not be a very profitable kind of business for them

to do that, and, in my judgment, they would not do it. But this is only an opinion of mine. I am entirely inexperienced in these things, as we all are more or less, and I must say, that after all the study I have tried to give this subject, and in all the advice I have tried to get from experienced men, I have come to the conclusion at last, upon the whole, that owing to the peculiar condition of things in this country for so many years, nobody knows much upon the question of finance—not even those who are most familiar with it; for, sir, I declare here to-day, that in the whole number of learned financial men that I have consulted, I never have found any two of them who agree; and therefore it is hardly worth while for us to plead any very remarkable degree of ignorance when nobody is competent to instruct us; and yet such is the fact. I can state to you, Mr. President, that on one day I was advised very strongly, by a leading financial man, at all events to oppose this legal tender clause; he exclaimed against it with all the bitterness in the world. On the very same day, I received a note from a friend of his telling me that we could not get along without it. I showed it to him, and he expressed his utter surprise. He went home, and next day telegraphed to me that he had changed his mind, and now thought it was absolutely necessary; and his friend, who wrote to me, wrote again that he had changed his (laughter;) and they were two of the most eminent financial men in the country. Now, sir, with all this, it is rather a difficult thing for lawyers and farmers and men not accustomed to all these things, like financial gentlemen, to tell precisely what to do; and I am obliged, after all, to draw upon the very shallow fountain of my intelligence and my own study to endeavor to come to right conclusions, although I acknowledge myself very much indebted to many gentlemen for the aid they afforded me, of which, perhaps, I am making a very poor exhibition.

Mr. President, I have some hope, I certainly have some ground of hope, a reasonable ground of hope, that our credit is soon to be very much improved in foreign countries. I have read letters, and have had letters read to me within a very few days, stating that our credit was rising in London, and in which the opinion was expressed that, though not at this moment, yet in a very short period of time, our paper could be negotiated there on favorable terms. We all know what the rate of interest is there; and our paper, if acceptable abroad, promises an investment which would be sought for with avidity. I fear that if there is that prospect, the passage of a clause like this would finally destroy it; and I fear it for the reason, as I stated before, that in my judgment it carries bad faith upon its face. It may be necessary after all, but that certainly is its character.

Now, sir, to what must we resort to bring up the credit of the country to meet all these things? How is our credit to be sustained? By a few simple principles and by a few simple processes. The first of these is taxation. We are all agreed upon that question; the people are perhaps better agreed than we are. Nobody in either House of Congress hesitates to say that we must tax, tax speedily, strongly, vigorously. We have the ability to meet it. The people can bear it, and will bear it with cheerfulness and hope.

The next means of sustaining our credit is by practicing good faith with all men, and losing nothing of that which has attended us hitherto since we were a people, and giving no ground upon which any man or any set of men can say that we are not willing, at any time, to make every sacrifice that is necessary to redeem our plighted faith.

The third means is by economy, and I believe we have begun to practice it. As I said before, I believe we are learning how to practice it, and in what manner we may economize. When I speak of economy, I do not mean economy as proposed by my honorable friend from Massachusetts, [Mr. Wilson,] by denying to those in the service of the country a reasonable reward; by taxing them

beyond all other men ; by saying to those who give all their time and all their labor and even their lives to the defense of the country, that, in addition to bearing their share of the burdens which are imposed on all the people alike, they shall make a special contribution beyond all others, and that they shall contribute it in an equal ratio, no matter how it falls—a man receiving a great salary like him who is receiving barely enough to live on—making no distinction. I do not mean such economy as that, but economizing in the great sources of waste and loss, and not playing this game upon individuals.

Sir, in all this I have not touched the constitutional question. I have preferred to leave it untouched. I have preferred even to leave my own mind uninstructed upon that question. It is my belief that where there is great difference of opinion on a constitutional question, and has been for many years, where there may be and has been an argument on both sides, if the necessity arises, we may well leave that question to be settled by the courts, and not attempt to settle it ourselves. It is not for me to say whether this is one of those occasions or not ; but undoubtedly the question will be argued ; indeed, I know it will.

Sir, this is truly a great crisis. Everything depends upon our credit and the ability to meet our wants. I have no doubt myself that we shall be able to meet them ; and I must confess to the leaning of my opinion, that we shall be as well able to meet them without this legal tender clause, as it is called, as with it ; that our paper will be as good and our credit and character much better without it. Still I may be wrong, and I wait for conviction.

I have said before that there was nothing to discourage us ; that I believed the country, since the breaking out of this war, never had such good reason for hope as at this day. There have been times when the people have been almost in despair ; there have been times when perhaps it may be said that but for the cause itself their hearts would have failed them. I believe that those times are passing by. We always meet, and must always expect to meet, in a Government like ours especially, difficulties such as attend us now—perhaps not so great, but more or less severe—in the course of time. No nation ever escaped them, and no nation can hope to escape them. I would not have perfect quiet always, in a republic especially. It would be a bad sign if it were so. It is contrary to the very nature of our Government that it should exist. You never find quiet except under a tyranny. Only in the dead sea of despotism is there a perfect calm. It cannot be looked for in the wide ocean of liberty. Storms arise inevitably, and the waves roll and dash turbulently, but bright skies again cheer us, the agitated waters subside, and their broad bosom is traversed by thousands of tall ships laden richly with hope for the nations of the world.